



Lewis  
**ssociation**  
Insurance

**PROPOSAL  
OF  
INSURANCE  
FOR  
EXAMPLE  
CONDOMINIUM  
ASSOCIATION  
Effective 4/20/19**

**PREPARED BY**

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## PROPERTY

The purpose of this coverage is to protect you from loss of or damage to property.

Real Property/Personal Property:

Coverage for “SPECIAL CAUSES OF LOSS”

This means coverage for RISK OF DIRECT PHYSICAL LOSS to property for nearly all perils except a few such as earthquake, flood, nuclear contamination, wear and tear, and war risk.

	<b>Great American <u>PROPOSED</u></b>	<b>Travelers <u>CURRENT</u></b>
<b>Limit of Property Insurance</b>	<b>Guaranteed Replacement</b>	<b>\$10,000,000</b>
<b>Valuation Basis</b>	<b>Guaranteed Replacement Cost</b>	<b>Replacement Cost</b>

**Guaranteed Replacement Cost** – In the event of an insured loss, this will fully provide for repair or replacement without any deduction or depreciation **even if the cost is to replace or repair is more than the stated amount in the policy.**

**Replacement Cost** – In the event of an insured loss, this will provide for repair or replacement without deduction for depreciation **to the maximum of the schedule.**

Co-Insurance	Waived	Waived
<b>All Other Perils Deductible</b>	<b>\$5,000</b>	<b>\$10,000</b>
Water Damage Deductible	\$10,000	\$10,000
Ordinance or Law (Increased Cost of Construction)	Included	Included
Boiler & Machinery (Equipment Breakdown)	Included	Included
Flood Coverage	Excluded	Excluded

THIS IS A BRIEF DESCRIPTION OF PROTECTION AVAILABLE. OBVIOUSLY, THE STATEMENTS OF INSURANCE ARE SUBJECT TO CERTAIN EXCLUSIONS AND CONDITIONS CONTAINED IN THE POLICY FORMS. THIS PROPERTY POLICY IS ALSO SUBJECT TO AN ON-SITE INSPECTION BY THE INSURANCE COMPANY.

## GENERAL LIABILITY

The purpose of this coverage is to protect you from liability imposed by law from bodily injury and property damage occurrences, both on your Association premises and away from the premises.

We are providing the following coverages:

Comprehensive Liability – featuring protection that is not limited to specifically scheduled exposures. The policy automatically covers new liability hazards resulting from changes in your Association’s operations.

	<b>Great American PROPOSED</b>	<b>Travelers CURRENT</b>
Per Occurrence	\$1,000,000	\$1,000,000
General Aggregate	\$2,000,000	\$2,000,000
Products & Completed Operations	\$2,000,000	\$2,000,000
Personal & Advertising Injury	\$1,000,000	\$1,000,000
<b>Tenants Property Damage Legal Limit</b>	<b>\$500,000</b>	<b>\$300,000</b>
Hired & Non-Owned Auto	Not Included	Not Included
Medical Payments	\$5,000	\$5,000

## DIRECTORS AND OFFICERS LIABILITY

The purpose of this coverage is to provide coverage for management decisions made by the past, present or future directors, officers, trustees, employees, committee members, volunteers, or property manager employees of an Association.

	<b>Great American PROPOSED</b>	<b>Travelers CURRENT</b>
Directors and Officers Liability Insurance	\$1,000,000	\$1,000,000
Self-Insured Retention (Deductible)	\$1,000	\$1,000
Defense Cost Coverage (Is either provided OUTSIDE or INSIDE of the insurance limit)	OUTSIDE	OUTSIDE

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## UMBRELLA LIABILITY

Excess Over: General Liability, Directors and Officers Liability, Business Automobile Liability, and Workers Compensation.

	<b>Great American PROPOSED</b>	<b>Travelers CURRENT</b>
Umbrella Liability Insurance	\$1,000,000	\$1,000,000
<b>Self-Insured Retention (Deductible)</b>	<b>Waived</b>	<b>\$5,000</b>

## TOTAL LIABILITY & DIRECTORS & OFFICERS LIABILITY

Liability	<b>PROPOSED</b>	<b>CURRENT</b>
<b>Per Occurrence</b>		
Package	\$1,000,000	\$1,000,000
Umbrella	\$1,000,000	\$1,000,000
<b>Total</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>
<b>General Aggregate</b>		
Package	\$2,000,000	\$2,000,000
Umbrella	\$1,000,000	\$1,000,000
<b>Total</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>
<b>Directors &amp; Officers Liability</b>		
<b>Per Occurrence</b>		
Directors & Officers	\$1,000,000	\$1,000,000
Umbrella	\$1,000,000	\$1,000,000
<b>Total</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>

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## **FIDELITY BOND/DISHONESTY**

Dishonesty insurance is just as vital to your Association as property and liability insurance. More money and property are embezzled annually by trusted employees, directors and officers than by all organized crime. Your policy takes into consideration how great your need is for insuring, types of contracts available, and the current market for such insurance.

Dishonesty coverage includes: Loss to money and securities caused by crime, destruction, disappearance, or employees, directors' and officers' dishonesty.

The Georgia State law requires all associations with reserves exceeding \$60,000 to carry coverage in the amount equal to or greater than:  $\frac{1}{4}$  of Annual Revenue + 1 times Reserves

Your Associations minimum required amount of coverage is;

.25 times \$135,780 (Annual Revenue) =	\$ 33,945
Reserves	\$621,915

<b>Minimum Required Coverage</b>	<b>\$655,860</b>
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	<b><u>Great American</u></b> <b><u>PROPOSED</u></b>	<b><u>Travelers</u></b> <b><u>CURRENT</u></b>
<b>Limit of Dishonesty Insurance</b>	<b>\$700,000</b> Blanket	<b>\$500,000</b> Blanket
<b>Self-Insured Retention (Deductible)</b>	<b>\$5,000</b>	<b>\$10,000</b>

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## ANNUAL PREMIUMS

	<u>PROPOSED</u>	<u>CURRENT</u>
Property	\$15,183	Unknown
Liability	included	Unknown
Directors and Officers	\$ 1,027	Unknown
Umbrella	\$ 584	Unknown
Fidelity Bond/Dishonesty	\$ 880	Unknown
<b>TOTAL</b>	<b>\$17,674</b>	<b>\$19,500</b>

**9% ANNUAL SAVINGS OF \$1,826**

## **INSURANCE COMPANY AM BEST RATINGS**

	<b><u>PROPOSED</u></b>	<b><u>CURRENT</u></b>
<b>Property</b>	<b>Great American A+ Admitted Size XIII</b>	<b>Travelers Casualty &amp; Surety A++ Admitted Size XV</b>
<b>Liability</b>	<b>Great American A+ Admitted Size XIII</b>	<b>Travelers Casualty &amp; Surety A++ Admitted Size XV</b>
<b>Directors and Officers</b>	<b>Great American A+ Admitted Size XIII</b>	<b>Travelers Casualty &amp; Surety A++ Admitted Size XV</b>
<b>Umbrella</b>	<b>Great American A+ Admitted Size XIII</b>	<b>NO COVERAGE</b>
<b>Fidelity Bond/Dishonesty</b>	<b>Great American A+ Admitted Size XIII</b>	<b>Travelers Casualty &amp; Surety A++ Admitted Size XV</b>

## **RECOMMENDED AMENDMENTS TO DOCUMENTS**

- 1) Change Declaration of Condominium Section 11 (i) to say \$5,000 currently says \$1,000 deductible**

## GLOSSARY OF INSURANCE TERMS

### PROPERTY

**Actual Cash Value** – In the event of an insured loss, this will provide for repair or replacement with deduction for depreciation.

**Agreed Value** – In the event of an insured loss, this will provide for repair or replacement of your buildings with the coinsurance clause waived. This eliminates the possibility of a coinsurance penalty if the property is not insured to value at the time of loss. Some policies have no coinsurance clause and are automatically written on an agreed value basis.

**Boiler & Machinery** – Often also called “Equipment Breakdown” covers physical damage to and financial loss from equipment breakdown. The most common things this would cover would be either pool pumps, common area HVAC, or elevators.

**Blanket** – With respect to property insurance, the term “blanket” generally means the “TIV” (Total insured value) applies to every building. Instead of a scheduled limit per building.

#### **EXAMPLE:**

If the association has 10 buildings each worth \$1,000,000 than the “TIV” would be \$10,000,000 and blanket means that each building would be covered up to \$10,000,000 if it were damaged.

**Co-Insurance** – A clause contained in most property insurance policies designed to encourage policy holders to carry the correct amount of insurance. If the insured fails to maintain the amount specified in the clause (usually between 80% and 100%), the insured shares a higher proportion of the loss.

#### **EXAMPLE:**

Your property’s value is: \$100,000

The coinsurance percentage for your policy is: 80%

Your property is insured for: \$60,000

Your deductible is: \$5,000

You had a loss of: \$50,000

Minimum amount your property needs to be insured for:  $\$100,000 \times 80\% (0.8) = \$80,000$

Percentage of the insured value you are currently insuring:  $\$60,000 \div \$100,000 = 60\%$  (.60)

Amount of the loss that will be covered:  $\$50,000 \times 60\% (.60) = \$30,000$

Amount of the loss that will be covered less the deductible:  $\$30,000 - \$5,000 = \$25,000$



The insurance company won't pay more than \$25,000 on the loss, the other \$25,000 will be the insured's responsibility.

**Extended Replacement Cost** – In the event of an insured loss, this will provide for repair or replacement without deduction for depreciation up to a specified amount of the total insured value stated in the policy (usually between 125% and 150%).

**EXAMPLE:**

Your property is insured for \$1,000,000 with 150% extended replacement cost, if the property is damaged the policy will cover costs to repair/replace it up to \$1,500,000.

**Guaranteed Replacement Cost** – In the event of an insured loss, this will fully provide for repair or replacement without any deduction or depreciation even if the cost is to replace or repair is more than the stated amount in the policy.

**EXAMPLE:**

Your property is insured for \$1,000,000 with guaranteed replacement cost, if the property is damaged the policy will cover costs to repair/replace it fully, no matter the cost.

**Ordinance & Law** – Older buildings that are damaged may need upgraded electrical, heating, ventilating, air conditioning or plumbing based to satisfy current building codes. This coverage is made up to three parts;

- 1) **Contingent Liability (Coverage A)** – This pays for the value of any undamaged portion of the building when construction codes require a building damaged by a covered loss to be demolished.
- 2) **Demolition Coverage (Coverage B)** – This covers the cost to tear down and remove debris of any undamaged portion of the building.
- 3) **Increased Cost of Construction (Coverage C)** – This provides coverage for the increased cost of construction caused by the enforcement of ordinances or laws regulating construction and repair of damaged buildings.

**Replacement Cost** – In the event of an insured loss, this will provide for repair or replacement without deduction for depreciation to the maximum of the policy limit.

## **GENERAL LIABILITY**

**Duty to Defend** – This is a policy provision that states that the insurance company has a duty to defend the insured against any legal claim, regardless if it is groundless, false or fraudulent. In turn the insurance company generally retains the right to settle the claim.

**General Aggregate** – In the event of an insured general liability loss, this is the maximum amount the insurance company will pay out in a policy term.

**Hired & Non-Owned Auto** – Hired & Non-Owned Auto covers bodily injury and property damage caused by a vehicle you hire (including rented or borrowed vehicles) or caused by non-owned vehicles (vehicles owned by others, including vehicles owned by your employees, volunteers, and board members).

**Medical Payments** – A general liability coverage that reimburses others, without regard to the insured's liability, for medical or funeral expenses incurred by such persons as a result of bodily injury or death sustained by accident under the conditions specified in the policy.

**Per Occurrence** – In the event of an insured general liability loss, this is the maximum amount that the insurance company will pay out on a single occurrence.

**Personal & Advertising Injury** – The personal part provides liability coverage for insurable offenses that produce harm other than bodily injury which include: false arrest, detention, or imprisonment; malicious prosecution; wrongful eviction; slander; libel; and invasion of privacy. The advertising part provides liability coverage for the following offenses in connection to the insured's advertising of its goods or services: libel, slander, invasion of privacy, copyright infringement, and misappropriation of advertising ideas.

**Products & Completed Operations** – Provides coverage for liability arising out of the insured's products or business operations conducted away from the insured's premises once those operations have been completed or abandoned.

**Tenants Property Damage Legal Limit** – Coverage of a tenant's liability for damage to premises that they have rented.

## **DIRECTORS AND OFFICERS**

**Claims-Made Basis** – A liability policy that will cover a loss that is discovered and reported during the policy period.

**Defense Cost Coverage** – Defense costs can either be inside or outside the directors and officers policy limit. Two thirds of all claims dollars spent on directors and officers coverage are defense costs.

### **EXAMPLE:**

**Policy Limit: \$1,000,000**

**Defense Costs: \$800,000**

**D&O Claim Settlement: \$400,000**

**Amount Covered with Defense Costs Inside the Limit: \$1,000,000**

**Amount Uncovered with Defense Costs Inside the Limit: \$200,000**

**Amount Covered with Defense Costs Outside the Limit: \$1,200,000**

**Amount of Coverage Still Available with Defense Costs Outside the Limit: \$200,000 in defense cost coverage and \$600,000 for claims**

**Duty to Defend** – This is a policy provision that states that the insurance company has a duty to defend the insured against any legal claim, regardless if it is groundless, false or fraudulent. In turn the insurance company generally retains the right to settle the claim.

## **FIDELITY BOND/EMPLOYEE DISHONESTY**

**Blanket** – With respect to dishonesty insurance, the term “blanket” generally means there is automatic coverage of all employees, directors, and officers except those of whom you have any knowledge of prior fraud.

## **INSURANCE COMPANY AM BEST RATINGS**

**Admitted** – “Admitted” refers to companies that are backed by the State Guaranty Fund, which protects the policyholders in the case of their insurance company going bankrupt. The State Guaranty Fund would pay for the claims if your current insurance company went bankrupt.

**Financial Rating** – Also referred to as “Financial Strength Rating” is an independent opinion of an insurer’s financial strength and ability to meet its ongoing insurance policy and contract obligations. Ratings from strongest to weakest are:

A++, A+, A, A-, B++, B+, B, B-, C++, C+, C, C-, D

**Non-Admitted** – “Non-Admitted” refers to companies that are not backed by the State Guaranty Fund, which protects the policyholders in the case of their insurance company going bankrupt. The State Guaranty Fund would not pay for the claims if your current insurance company went bankrupt.

**Size** – Refers to adjusted policyholder’s surplus with the smallest being size I and the largest being size XV.